



ROBERT L. EHRLICH, JR.
GOVERNOR

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TTY USERS CALL VIA MD RELAY

May 21, 2003

The Honorable Michael E. Busch
Speaker of the House of Delegates
State House
Annapolis, MD 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, today I have vetoed House Bill 753 – *Taxes and Revenues*.

House Bill 753 imposes a two percent insurance premium tax on health maintenance organizations and managed care organizations, and changes corporate income tax law, levies a 10% corporate income tax surcharge during tax years 2003, 2004 and 2005.

The proposed two percent increase on insurance premiums will further accelerate the increase in health insurance costs for the nearly one million individuals that are privately insured under an HMO plan in Maryland. In 2001 alone, Marylanders experienced a 12% increase in out-of-pocket expenditures for health care. Employer health costs have also grown by double-digit rates, and the two percent tax would only worsen this situation. Maryland families are already stretched in their ability to meet these higher premiums and this tax would force some families to forfeit their insurance coverage.

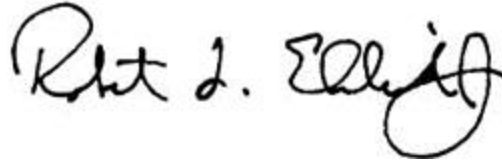
At a time when the national and State economies are struggling, we need to do all we can to save Maryland jobs. The proposed increase in corporate taxes will only discourage companies from creating new employment opportunities or maintaining their businesses in the State. I believe that a corporate tax increase would be counter-productive as we seek to preserve private sector jobs in Maryland.

The changes to corporate income taxation include restrictions on Delaware Holding Company transactions. Some of these provisions will place Maryland at a competitive disadvantage with other mid-Atlantic states, thereby reducing employment opportunities for our citizens. Currently, the Comptroller is involved in litigation regarding this very issue. At this juncture, I believe it is prudent to wait until the Judiciary rules on the matter.

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For the above stated reasons, I have vetoed House Bill 753.

Sincerely,

A handwritten signature in black ink, appearing to read "R. L. Ehrlich, Jr.", with a stylized flourish at the end.

Robert L. Ehrlich, Jr.
Governor